

## **Forward RA Procurement**

CPUC Workshop on Track One of the Joint  
Reliability Plan R.14-02-001

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# What Will Happen to RA Prices Under a Multi-Year Forward RA Requirement?

- Typical Economist answer:
  - It depends
- There are a number of fundamental issues that need to be addressed before one can postulate what will happen to prices
  - These fundamental issues address objective, mechanisms, and minimum/maximum requirements

## A Full Understanding of the Objective of the Regulation is Necessary

- Deciding upon the objective of the regulation will likely lead to decisions on the mechanism and the minimum/maximum requirement
  - With these elements understood, a more reasonable expectation of prices can be developed
- Documents to this point indicate that the objective is to either reduce or eliminate the risk of disorderly retirement of resources
  - Is this the sole objective or are there other objectives?

# What is Necessary to Prevent Disorderly Retirement

- To provide generators with a stream of revenues, there are two primary options
  - Utilize a multi-year forward RA requirement
    - Potential implications
      - Requirements may need to be set high in all years
        - » Likely premium paid for RA
      - Load forecast error will play a larger role in under and over procurement
      - Load migration between years will play a more significant role
  - Continue with some form of CAISO backstop procurement
    - Potential implications
      - Cost and frequency of backstop procurement unknown
      - Ability to adhere to California's energy policy goals uncertain